

**Nova Scotia Utility and
Review Board
Financial Statements**

March 31, 1999

Contents

	<u>Page</u>
Auditors' Report	1
Statement of Operations	2
Statement of Accumulated Surplus	3
Balance Sheet	4
Statement of Capital Assets	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 10

Auditors' Report

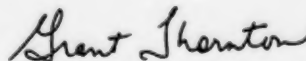
To the Chair and Members of the
Nova Scotia Utility and Review Board

We have audited the balance sheet of the Nova Scotia Utility and Review Board as at March 31, 1999, and the statements of operations, accumulated surplus, and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999, and the results of its operations and the cash flows for the year then ended in accordance with generally accepted accounting principles.

Halifax, Nova Scotia
May 14, 1999


Chartered Accountants

Nova Scotia Utility and Review Board

Statement of Operations

Year Ended March 31	1999	1998
Revenue		
Grant from the Province of Nova Scotia (Note 2)	\$ 2,407,539	\$ 2,489,130
Assessments to utilities (Note 2)	915,288	647,217
Recoveries (Note 10)	145,790	99,372
Interest	<u>41,993</u>	<u>34,015</u>
	<u>3,510,610</u>	<u>3,269,734</u>
Expenses		
Salaries, wages and benefits	2,078,980	2,018,927
Consulting and legal fees	335,915	378,934
Rent and business taxes (Note 11)	361,493	371,686
Travel	180,960	175,148
Depreciation	87,539	81,295
Equipment (Note 3)	39,050	38,756
Office supplies and services	33,958	39,978
Maintenance	33,309	32,204
Telephone and facsimile	31,759	32,148
Dues and fees	26,402	38,743
Transcribing and printing	22,120	62,205
Books and reports	17,785	15,215
Advertising	16,866	2,896
Sundry expenses	10,774	7,138
Postage and couriers	10,275	10,108
Staff training and development	<u>5,671</u>	<u>5,988</u>
	<u>3,292,856</u>	<u>3,311,369</u>
Operating surplus (deficit) for the year	\$ <u>217,754</u>	\$ <u>(41,635)</u>

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board

Statement of Accumulated Surplus

Year Ended March 31

	<u>1999</u>		
	<u>Province of Nova Scotia</u>	<u>Utilities</u>	<u>Total</u>
Balance, beginning of year	\$ 396,922	\$ 145,294	\$ 542,216
Operating surplus for year	<u>136,213</u>	<u>81,541</u>	<u>217,754</u>
Balance, end of year	<u>\$ 533,135</u>	<u>\$ 226,835</u>	<u>\$ 759,970</u>

	<u>1998</u>		
	<u>Province of Nova Scotia</u>	<u>Utilities</u>	<u>Total</u>
Balance, beginning of year	\$ 440,105	\$ 143,746	\$ 583,851
Operating (deficit) surplus for year	<u>(43,183)</u>	<u>1,548</u>	<u>(41,635)</u>
Balance, end of year	<u>\$ 396,922</u>	<u>\$ 145,294</u>	<u>\$ 542,216</u>

See accompanying notes to the financial statements

Nova Scotia Utility and Review Board

Balance Sheet

March 31 1999 1998

Assets

Current

Short term investments (Note 3)

Board operations \$ 1,388,319 \$ 770,348

War Service pension 155,403 168,962

Accounts receivable (Note 4) 159,599 161,669

Prepays 4,894 3,749

Inventory (Note 5) 2,684 9,827

1,710,899 1,114,555

Service award advances 12,423

Capital assets 83,164 106,586

\$ 1,896,486 \$ 1,221,141

Liabilities

Current

Bank indebtedness \$ 19,671 \$ 146,460

Payables and accruals 235,934 141,296

Deferred revenue (Note 6) 241,615

497,220 287,756

Long term

War Service pension liability (Note 7) 155,403 168,961

Public service award liability (Note 8) 268,893 97,208

Advances for working capital (Note 9) 125,000 125,000

549,296 391,169

1,046,516 678,925

Surplus (Note 2)

Surplus - Province of Nova Scotia 533,135 396,922

Surplus - Utilities 226,835 145,294

759,970 542,216

\$ 1,806,486 \$ 1,221,141

Commitment (Note 11)

Uncertainty due to the Year 2000 issue (Note 12)

On behalf of the Board

Vice-Chair

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board **Statement of Capital Assets**

Year ended March 31, 1999

	Cost			Accumulated Depreciation			1999 Net Book Value	1998 Net Book Value
	Opening	Additions	Closing	Opening	Expense	Deletions		
Furniture	\$ 143,178	\$	\$ 130,640	\$ 100,868	\$ 13,064	\$ (2,508)	\$ 19,216	\$ 42,310
Computer								
Equipment	120,532	78,190	140,447	98,346	36,489	(54,231)	59,843	22,185
Computer software	2,151		2,151	717	717		717	1,434
Equipment	13,119		13,119	7,107	2,624		3,388	6,012
Leaseholds	101,868		101,868	67,223	34,645			34,645
Total	\$ 380,848	\$ 78,190	\$ 388,225	\$ 274,261	\$ 87,539	\$ (56,739)	\$ 83,164	\$ 106,586

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board

Statement of Cash Flows

Year Ended March 31

1999

1998

Cash derived from (applied to)

Operating

Operating surplus (deficit)	\$ 217,754	\$ (41,635)
Depreciation	<u>87,539</u>	<u>81,295</u>
	305,293	39,660

Change in non-cash operating working capital

Decrease (increase) in accounts receivable	2,070	(78,051)
(Increase) decrease in prepaids	(1,145)	2,975
Decrease (increase) in inventory	7,143	(5,261)
(Increase) in service award advances	(12,423)	
Increase in payables and accruals	94,638	4,990
Increase in deferred revenue	<u>241,615</u>	

637,191 (35,687)

Financing

Decrease in War Service pension liability	(13,558)	(12,678)
Increase (decrease) in Public service award liability	<u>171,685</u>	<u>(15,887)</u>
	158,127	(28,565)

Investing

Increase in short term investments	(604,412)	(64,575)
Purchase of capital assets	(78,190)	(35,637)
Purchase of leaseholds		(4,134)
Disposal of capital assets	<u>14,073</u>	
	(668,529)	(104,346)

Increase (decrease) in cash 126,789 (168,598)

(Bank indebtedness) cash

Beginning of year (146,460) 22,138

End of year \$ (19,671) \$ (146,460)

See accompanying notes to the financial statements.

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 1999

1. Incorporation

The Nova Scotia Utility and Review Board was created on December 14, 1992, through the proclamation of the *Utility and Review Board Act*, Chapter 11 of the Acts of 1992. The Board consolidated the operations of the former Board of Commissioners of Public Utilities, Municipal Board, Expropriations Compensation Board, and Tax Review Board. All assets and liabilities of the former boards were transferred to and assumed by the Nova Scotia Utility and Review Board.

2. Authority

The Nova Scotia Utility and Review Board has those functions, powers and duties conferred upon it through Section 4 of the *Utility and Review Board Act*. Section 15(1) of the *Public Utilities Act* requires the Board to estimate its expenses in administering that Act and assess them against the public utilities of the Province. Sections 31 and 41 of the *Gas Distribution Acts* allow the Board to set fees and award costs for activities relating to that Act. Expenses incurred by the Board in administering all other Acts are recovered from the Province of Nova Scotia. Any operating surpluses or deficits are allocated to the Province and the public utilities based on the prorata share of revenue contributed in each year.

3. Summary of significant accounting policies

a) General

These financial statements have been prepared in accordance with generally accepted accounting principles for the public sector.

b) Short term investments

Short term investments are valued at cost plus interest accrued to year end, which approximates market value.

c) Capital assets

Capital assets purchased by the Board with a value greater than \$1,000 and a useful life greater than one year are capitalized and amortized over their useful lives on a straight line basis as follows:

Furniture	10 years
Computer equipment	3 years
Computer software	3 years
Equipment	5 years
Leasehold	the lesser of 5 years or the remaining life of the lease

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 1999

4. Accounts receivable	1999	1998
Province of Nova Scotia	\$ 9,627	\$ 89,909
Public Utilities	45,407	43,085
Other	<u>104,565</u>	<u>28,675</u>
	<u>\$ 159,599</u>	<u>\$ 161,669</u>

5. Inventory

Inventory consists of Daily Bus Inspection books held for resale. Cost is determined using the first-in, first-out method of valuation.

6. Deferred revenue

During the year, the Board received fees from applicants to defray expenses relating to hearings concerning natural gas distribution rights. As the hearings were incomplete and total costs could not be reasonably estimated as of March 31, revenues sufficient to offset expenses incurred to date were recognized and the balance deferred to the 1999/2000 fiscal year.

Applicant fees	\$ 500,000
Hearing expenses as at March 31	<u>268,385</u>
Balance deferred	231,615
Other deferrals	<u>10,000</u>
	<u>\$ 241,615</u>

7. Pensions

Public service superannuation fund

Pursuant to Section 10 of the *Utility and Review Board Act*, all full time employees of the Board are entitled to receive pension benefits under the *Public Service Superannuation Act*. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Board's operating expenses. The Board is not responsible for any unfunded liability.

War Service pension liability

Employees of the Board are entitled to purchase service credits for certain years of war service. Increases in an employee's pension as a result of the purchase of war service credits are the responsibility of the Board and are billed to the Board as pensions are paid. Employee pension contributions are used to defray future obligations for war service credits. The Board of Commissioners of Public Utilities, one of the predecessor boards, transferred its war service liability to the Nova Scotia Utility and Review Board on consolidation.

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 1999

7. Pensions (continued)	<u>1999</u>	<u>1998</u>
The status of the liability account is as follows:		
Employee contributions	\$ 44,311	\$ 44,311
Accumulated interest	127,207	119,881
Amortization of unfunded liability	<u>140,580</u>	<u>140,580</u>
	312,098	304,772
Less: pension payments to date	<u>156,695</u>	<u>135,811</u>
	<u>\$ 155,403</u>	<u>\$ 168,961</u>

8. Public service award liability

The Board follows the provisions of the *Civil Service Act* with respect to the payment of public service awards to retiring employees. The Board is responsible for the funding and eventual payment of these awards.

In 1998 and prior years, the estimate was based on a general accrual of 1% of gross salary plus a specific accrual for those eligible to retire. The public service award expense is included in salaries, wages and benefits. In 1999, the accrual was changed to be based on a calculation of the specific liability for each employee given current salary and benefit of service.

9. Advances for working capital

The following advance was transferred to the Nova Scotia Utility and Review Board from the Board of Commissioners of Public Utilities on consolidation:

	<u>1999</u>	<u>1998</u>
Province of Nova Scotia	\$ <u>125,000</u>	\$ <u>125,000</u>

The authority for the advance for working capital from the Province was contained in Section 14 of Chapter 380, RSNS 1989, the *Public Utilities Act*. The advance is non-interest bearing, with no set terms of repayment.

10. Recoveries

Consultants are engaged by the Board pursuant to the *Public Utilities Act* to provide advice related to utility administration and expert evidence during hearings. Consulting fees for specific hearings may, in some cases, be recovered directly from the public utilities involved.

The Board also recovers certain transcription, copying and other expenses from various sources.

Nova Scotia Utility and Review Board

Notes to the Financial Statements

March 31, 1999

11. Commitment

The Nova Scotia Utility and Review Board has assumed the lease of the former Board of Commissioners of Public Utilities. The lease, which expires October 31, 1999, calls for the payment of a base rent plus the Board's portion of common costs such as maintenance, power, water and property taxes.

Minimum lease payments by fiscal year for the remaining lease term, not including common costs is \$124,278.

12. Uncertainty due to the Year 2000 issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.